

# ACTIVE MEMBER'S HANDBOOK

(REVISED MARCH 2004)



INDIANA STATE TEACHERS'  
RETIREMENT FUND

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## **Foreword**

Retirement funding for teachers was initially provided on a local basis by the Acts of 1915, Chapter 182. In 1921, the Indiana General Assembly created the Indiana State Teachers' Retirement Fund (Fund). Since its establishment, the laws governing the administration of the Fund have changed and expanded to respond to the needs of our members.

This handbook for active members of the Fund is designed to provide a better understanding of the rights and responsibilities of those Indiana educators who are enrolled as members of the Fund. While this handbook gives a broad overview of the Fund, members with more complex questions should contact the Fund at:

Indiana State Teachers' Retirement Fund  
Suite 300  
150 West Market Street  
Indianapolis, IN 46204-2809

Telephone: (317) 232-3860 / Toll-Free (888) 286-3544  
FAX (317) 232-3882  
TTY/TDD (317) 233-3306  
E-mail: [trf@trf.IN.gov](mailto:trf@trf.IN.gov)  
Internet Home Page: <http://www.in.gov/trf>

The 2002-2003 Indiana General Assembly bases information in this handbook for active members on the laws and resolutions governing the Fund, including amendments adopted. The Indiana Code, sections 5-10.2 and 21-6.1 and Title 550 of the Indiana Administrative Code govern the Fund, as well as specific resolutions adopted by the Fund's Board of Trustees. If any differences exist between the governing laws and resolutions of the Fund and information found in this handbook, the laws and resolutions shall govern the resolution of the discrepancy.

The Fund is overseen by a five-member Board of Trustees (Board) appointed by the Governor. Two of the Trustees must be Indiana educators eligible to be members of the Fund. A Director appointed by the Governor carries out the policies set by the Board and administers the Fund on a daily basis. Pursuant to Indiana law, the Director is also required to be a member of the Fund.

Although the Board establishes investment policies, Indiana law places restrictions on the investment of the Fund's assets. At all times, the Fund must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

## Mission and Core Values

In the July 2000 meeting, the Board adopted a new mission statement and core values for the Fund. Our mission is...

To prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to our members, while demonstrating responsibility to the citizens of the State.

In striving to achieve this mission, the Fund has pledged to uphold the following eight core values:

1. Professionalism, respect and compassion in dealing with others;
2. Diversity, both of ideas and people;
3. Open communication, collaboration, and cooperation;
4. Integrity and the avoidance of conflicts of interest;
5. Courtesy and timeliness;
6. Accountability;
7. Innovation and flexibility;
8. Commitment to and focus on our mission.

## Definitions

### Annuity Savings Account:

This term refers to the member's individual Annuity Savings Account with the Fund. The contents of this account are all of the employee contributions, employer pickup contributions, and voluntary contributions, plus any gains/losses earned by the member based on their investment election. Members may make investment choices with respect to the money in this account.

### Employee Contributions:

All active members of the Fund are required by law to contribute three percent (3%) of their annual compensation to their individual Annuity Savings Accounts. This contribution may also be referred to as the "employee contribution." Employee contributions are deducted from the member's pay on an after-tax basis. If this contribution is paid by the employer on behalf of the employee, the Fund refers to the contribution as an "Employer Pickup."

### Employer Pickup:

This refers to the 3% employee contributions that are actually paid by the employer, instead of as a deduction from the member's pay.

### Employer Share:

This term refers to that percentage of the salaries of members who are enrolled in the 1996 Account that must be contributed by the employer to fund the state pension. This percentage is determined annually by the Board. These funds are not part of the Annuity Savings Account.

### Fund, "TRF," "ISTRF":

All of these terms refer to the Indiana State Teachers' Retirement Fund.

## Membership

### General Information

All regularly employed and legally qualified teachers who serve in the public schools of Indiana must be members of the Fund. Included in the Fund are certain faculty and staff at Vincennes University, Ball State University, Indiana State University, and the University of Southern Indiana (although these individuals may have the option of selecting the Fund or an alternate University plan). Some legally qualified State employees may also be eligible for enrollment in the Fund. Teacher aides and higher education graduate assistants are not eligible for membership in the Fund. In addition, substitute teachers must meet specific qualification and service criteria before becoming eligible for membership in the Fund.

### Documents to Submit

Educators who are enrolling in the Fund must complete an "Enrollment Form for New Members," (State Form 37680). This form is available from our Internet home page (<http://www.in.gov/trf>) or by contacting our Member Service Center. When submitting an "Enrollment Form for New Members," educators must submit a valid birth certificate. Pursuant to Rule 2-7-3 of Title 550 of the Indiana Administrative Code, the Fund is not permitted to pay retirement benefits to members who have not submitted sufficient proof of their date of birth. In lieu of submitting a valid birth certificate, this proof can be satisfied by providing the Fund with one of the following:

- ◆ A copy of a "Certificate of Birth Registration" signed by the health officer of the county or state where the birth occurred;
- ◆ A copy of a valid United States of America Passport;
- ◆ An executed "Proof of Birth" affidavit in the form prescribed by the Fund and a copy of a photo identification card such as a state-issued driver's license or identification card; OR
- ◆ Other evidence relating to the member's date of birth that may be submitted to the Board for approval and acceptance.

All Fund members will receive a TRF account number upon the acceptance of their application. This TRF number is assigned to the member on a permanent basis. Even if members leave employment in a Fund-covered position for an extended period of time, their TRF number will remain the same should they return to service in a Fund-covered position.

### Making Changes to Your Account

Fund members often need to make changes to their account information. Events that may precipitate a change in account information include:

- ◆ Change of Address
- ◆ Change to Beneficiary Designations
- ◆ Change of Name
- ◆ Change to Asset Allocation Strategy in a member's individual Annuity Savings Account
- ◆ Change to Asset Allocation Strategy in a member's Rollover Account

The Fund has created specific forms for these purposes. To protect the security of the member's account and to reduce the amount of paperwork in a member's file, the Fund requires members to use these forms for any changes to become effective. A member can obtain Fund forms from our Internet home page (have your TRF number available) or by contacting the Fund directly via telephone, e-mail, or written correspondence. Please complete and return the form via U.S. mail.

## Annuity Savings Accounts

Upon a member's enrollment into the Fund, an individual Annuity Savings Account will be established for the member. The Annuity Savings Account is comprised of all employee contributions and employer pickup contributions. Gains/losses are credited to a member's account at the end of every quarter, based on the member's investment elections.

All Fund members are required by state law to contribute three-percent (3%) of their annual compensation to their Annuity Savings Account. This contribution can be made by the employer (employer pickup). Active Fund members may also make voluntary contributions in excess of the mandatory amount to their Annuity Savings Account. The voluntary contributions must be made in one-percent increments up to a maximum of ten-percent (10%). Thus, the maximum amount of contributions that active members can make to their Annuity Savings Account is thirteen-percent (13%) of their annual compensation.

Post-tax contributions are deducted from your pay after all other deductions have been made. Contributions made to TRF on a post-tax basis will have no future tax liability. Pre-tax contributions are deducted prior to calculating your current income tax withholding, thus reducing your current taxable income. Contributions made on a pre-tax basis will be taxed at the point that they are actually received by the member.

Provided the member meets certain eligibility requirements, the additional voluntary contributions may be made on either a pre-tax or post-tax basis. In order for these contributions to be pre-tax, (employment taxes still apply) the following requirements must be met:

- ◆ The employing school corporation must adopt a resolution enabling their members to participate in this plan.
- ◆ The member must have at least 5 years of TRF service as of the end of the previous fiscal year.
- ◆ The member must apply within their 2-year election window. If the employing school corporation elected to participate in the program by December 31, 2003, the 5-year member's window expires on 8/31/05. For an employing unit that elects to participate between January 1, 2004 and August 31, 2004, the 5-year member's election window is from 9/31/04 through 8/31/06. For a member who does not yet have 5 years of service, their election window begins September 1 after the fiscal year in which they complete their 5<sup>th</sup> year of service.
- ◆ The member must complete and submit to TRF an irrevocable payroll deduction authorization form.

Once a member elects to participate in the pre-tax contribution program, that election is irrevocable for as long as the member remains with the current employer. Post-tax contributions may be changed as often as the employer allows. Please visit our web-site for additional details regarding pre-tax contributions. Members wishing to make voluntary contributions to their Annuity Savings

Account should contact their payroll administrator.

#### Investing Annuity Savings Account Money

The Indiana Constitution was amended in 1996 to provide Fund members with more investing options. The Fund's staff has composed an informational pamphlet, "Investing Your Annuity Savings Account," for members to use in understanding the different investment options available to them. Please consult this pamphlet for detailed information concerning the available options and the necessary procedures for changing an investment portfolio. Members may obtain a copy of this pamphlet by either contacting the Fund or visiting the Fund's Internet home page.

As a result of the Public Referendum in 1996, the Fund now offers five investment options to our members:

Guaranteed Fund	The rate for this fund is determined annually by the Fund's Board of Trustees. The balance of each member's account at the beginning of the quarter is credited interest at the end of each quarter.
Bond Fund	This fund consists of a broad range of corporate, government, and agency instruments. It can have up to 10% in high yield bonds and up to 10% in non-U.S. fixed-income instruments. The objective of the fund, over the long term, is to outperform the Lehman Brothers Aggregate Bond Index. Investment in this fund involves risk.
International Equity Fund	This fund consists of securities of developed, non-U.S. countries. This fund's objective is, over the long term, to provide returns in excess for a broad international market includes (EAFE: Companies from Europe, Australia, and the Far East). Investment in this fund involves risk.
S&P 500 Index Fund	This fund closely tracks the return on the S&P 500 Index by employing an indexing strategy that invest in the stocks of the S&P 500 Index companies. Investment in this fund involves risk.
Small Cap Equity Fund	This fund consists of stocks with a market capitalization of less than \$1.5 billion. This fund's objective is, over the long term, to provide total returns in excess of the Russell 2000 Index Fund (2000 selected small capitalized public companies). Investment in this fund involves risk.

#### Quarterly Statements

After the end of each fiscal quarter, all members with a balance in their Annuity Savings Accounts and a current address on file with the Fund will receive a quarterly statement. If you prefer, you may opt out of receiving a paper copy of your quarterly statement and view it instead on our Internet Home Page over a secured connection. These statements indicate how your investment portfolio performed over the preceding quarter. In order to opt out of receiving your quarterly statement through the U.S. mail, you must first access your statement on our web site. There is a button you need to mark that indicates that you wish to view all future statements electronically; from that point forward, you will be able to view your statements electronically in lieu of receiving a paper copy through the U.S. mail.



### Important things to know about Quarterly Statements:

- ◆ Members will receive the following components in their Quarterly Statements
  - ◆ Statement reflecting member information
  - ◆ Reallocation form for use in selecting or changing investment portfolio strategy
  - ◆ Investment rate summary sheet
- ◆ Members who do not keep their address current will not receive paper Quarterly Statements through the mail. However, you will still be able to access your statement on-line.
- ◆ The Quarterly Statements contain an unaudited and unofficial record of a member's service credit. Service credit eligible for computing a retirement benefit will be determined officially only at retirement based on properly verified service and applicable laws in effect at the time.
- ◆ The interest rate for the Guaranteed Fund is established on an annual basis by the Fund's Board of Trustees.
- ◆ The salary listed on the Quarterly Statement is for the period running from July 1 through the last day of the preceding quarter. These figures do not necessarily match the teacher's contract salary, which generally covers a different period.

### Rollover Annuity Savings Account

An active member of TRF can create an additional annuity savings account, called the Rollover Account, by rolling funds from an IRA, 457(b) deferred compensation plan, a 403(b) annuity, or another qualified retirement plan, into TRF. The receipt of this rollover will create the Rollover Account, which operates very similar to the regular annuity savings account. The member will have five investment funds from which to choose: the S&P 500, International, Small Cap, and Bond funds which are used with the annuity savings account and a Money Market fund, which is exclusive to the rollover account. Gains/losses will be credited quarterly, investment allocations may be changed quarterly, and statements will be sent quarterly. In addition, beneficiaries may be named for this account independently of the beneficiaries for the regular annuity savings account.

At time of retirement, the member may choose to annuitize the rollover account balance and receive payments each month for life, rollover the balance to another tax-deferred vehicle, or leave the rollover account actively invested with TRF until the age of 70. In addition, a member with a Rollover Account may take a withdrawal of their Rollover Account balance at any time prior to retirement. The member must complete a "Rollover Account Application for Withdrawal" form; the Rollover Account balance must be withdrawn in full, partial withdrawals are not allowed.

## Earning Service Credit

Service credit is the basis upon which your State-provided pension benefit is calculated. There are 2 main types of service credit that can be included in your retirement: Indiana service credit for vesting and enhancement service credit.

### Indiana Service Credit for Vesting

You must have 10 years of teaching service in the state of Indiana in order to become vested, or have earned the right to your pension. There are 3 types of service that count toward vesting:

#### Regular Indiana Teaching

You earn one year of creditable service if you work 120 or more days in a fiscal year, July 1 through June 30. You can earn one half year of credit if you work between 60 and 119 days. Any time worked during a school day entitles you to a full day of credit.

#### Public Employees Retirement Fund (PERF) service credit

If you have an account at PERF, it will be combined with your TRF account at retirement. If you are employed in both a PERF and TRF-covered position at the same time, you may not earn more than one year of service credit during a fiscal year. You will retire from the fund under which you were last reported prior to retirement.

#### Approved Leave of Absence

Certain leaves of absence may count toward your retirement. These leaves must have been approved by the school board of the corporation granting the leave; copies of the school board minutes approving the leave must be submitted along with the form "Leave of Absence Verification," which is available on our web site. Sabbatical leaves for advanced study, work experience, teacher exchange programs, or approved educational travel require that you return to a covered position for the same length of time as the leave. Leaves for disability, pregnancy, or adoption do not require a return to service, but do require medical proof for the leave. All leaves of absence are subject to the one-seventh rule, which means that no more than 1/7 of the total years you have for retirement may be from leave of absence credit.

#### Enhancement of Service Credit

There are several types of enhancement service credit that can be used to increase your total service credit for retirement. In most cases, you may add the enhancement service at the end of your 1<sup>st</sup> year of teaching in Indiana, although the service will not actually be included in any calculations until you have completed 10 years of vesting service credit. Enhancement service credit includes the following:

#### Out-of-State Service and Federal Service

Service credit from another state qualifies for Indiana credit providing the service is in a public school and covered by a retirement fund comparable to TRF. Service for a federal agency in a position comparable to teaching in Indiana (i.e. Indian Affairs or Department of Defense) also qualifies for Indiana service credit. In order for this credit to be transferred to Indiana, the member may not include this service to receive a benefit from another state retirement system or the federal retirement system.

Teachers who became members of TRF prior to July 1, 1981 and have out-of-state or federal service prior to July 1, 1981 have certain rights of transfer. Up to eight years of credit may be added to a member's creditable service at no cost to the member. If the member has out-of-state or federal service that does not fall under the requirements for free transfer, they may purchase those years of service at actuarial cost. This cost is based on the member's current contract, age, and current service credit balance. Please obtain the "Verification of Out of State Service" form from the web-site and follow the attached instructions.

#### Military Service

Members who have their teacher training or teaching career interrupted by service in the United States Armed Forces may be eligible for free service credit for some period of the time spent in the military. A maximum of six years of military service may be added to your account. All service during periods of hostility or demobilization count toward the six-year limit. Military service that occurs during other time periods is subject to the one-seventh rule, which means that no more than 1/7 of the total years you have for retirement may be from this type of military service credit.

Members who have military service that does not fall under the above requirements may purchase up to two years of military credit at actuarial cost. Please review the "Military Service" document on the web-site and follow the directions.

#### Private School Service

A member who has teaching service in an accredited private school in the state of Indiana may add this credit to their account by purchasing it at actuarial cost. Please obtain the "Verification of Private School Service" form from the web-site and follow the instructions.

#### Out-of-United States Service

A member may purchase service at actuarial cost for service rendered out of the United States, providing the service is in a position comparable to one which would have been creditable if performed in Indiana.

#### Air-Time

A member who has already earned at least ten years of combined TRF/PERF service may purchase additional service credit that does not follow under any of the other categories. Once the ten years have been earned, the member may purchase at actuarial cost one year for each five years of service provided. Please obtain and review the "Request to Purchase Additional Service Credit" documents on our web-site for more detailed information.

Please note that the price paid to purchase any kind of enhancement service is the amount required to fund the state pension benefit. Therefore, this amount is not added to the member's annuity savings account for use in the annuity portion of the member's retirement benefit. In the event the member terminates service prior to retirement eligibility, the purchase price plus interest will be included in any voluntary refund to the member.

Indiana law allows TRF to accept funds for a purchase of service as a rollover from any other source of tax-deferred retirement plan, as defined in EGTRRA. This trustee-to-trustee transfer may be for no more than the cost to purchase the service. The Internal Revenue Service does place limits on the amount of direct contributions that may be paid by a member to a qualified plan to purchase service. This information is included on the various forms used to purchase service credit.

## **IMPORTANT NOTE TO MEMBERS CONCERNING ALL SERVICE CREDIT**

A member's service credit record receives an official evaluation only at the time of retirement. Any service that is granted to a member must comply with the laws in effect at the time of retirement. If the service granted is no longer considered creditable service, it can and will be removed from the member's account prior to retirement processing. TRF encourages all members request a service credit analysis approximately two years prior to retirement. This will allow time for additional verification, if needed.

## Retirement Benefits

### General Description of Benefits

A member's retirement benefit may be made up of three parts:

- ◆ A monthly pension provided by the State,
- ◆ An annuity based on that member's Annuity Savings Account (contributions plus earnings), and
- ◆ An annuity based on that member's Rollover Annuity Account.

The State's pension portion is determined by the member's salary history, years of service, age, and the retirement option(s) selected. The annuity portion depends on the value of a member's Annuity Savings Account at the time of retirement, age, payment alternative, and option(s) selected. The Rollover Annuity Account is applicable only if you have deposited money from another retirement plan into your TRF Rollover Account. If you have further questions about this formula, please consult the "Calculator for Retirement Benefits," on our Internet Home Page.

### Accrual Date

The Accrual Date (also called the Retirement Date) is the effective date a member's retirement benefits commence. This date can be no earlier than the first of the month following the member's last day of service with his or her employer. The member may choose a later date, but retroactive payments cannot exceed six (6) months.

### Pensions and Social Security

Starting July, 1, 2001, retired members who are under the normal Social Security retirement age and reemployed in a covered position will have a fixed earnings limitation of \$25,000 calculated on a fiscal year for Teachers' Retirement Fund employees and calculated on a calendar year for Public Employees' Retirement Fund employees. A covered position is one that qualifies for credit by either the Teachers' Retirement Fund or the Public Employees Retirement Fund.

Retired members who are already reemployed will not be grandfathered under the older provision. In addition, in order to receive a pension benefit, all retiring members must wait at least ninety (90) days after their retirement date before returning to service in a covered position.

If a retired TRF member under the normal Social Security retirement age earns more than \$25,000 in a fiscal year, their retirement benefit from TRF will be stopped for the remainder of the fiscal

year. The benefit will resume at the beginning of the next fiscal year and continue until the \$25,000 earnings cap is met for the fiscal year.

Retired members who are reemployed in a covered position may earn a second retirement benefit for their service during reemployment. This benefit will be added to the original retirement benefit at the time of re-retirement.

The \$25,000 earnings cap does not apply to retired members who are of normal Social Security retirement age or older or to a retired member who is reemployed by the Indiana Department of Education.

The employer's mandatory contributions are to be made throughout the entire period of reemployment, regardless of whether or not the employee's retirement benefit has been suspended. The mandatory 3% employee contribution is only required to be made during the period that the employee's retirement benefit has been suspended.

Please note that Indiana law requires a minimum of ninety (90) days of separation from active employment upon retirement. Therefore, after retirement, members must wait at least ninety (90) days before performing service in a Fund-covered position. If a member returns to service within ninety (90) days after retirement, retirement benefits will be suspended until s/he retires for a second time.

## Retirement Eligibility

### Normal Retirement Eligibility

A member may become eligible for normal (unreduced) retirement:

- ◆ At age 65 with at least 10 years of creditable service
- ◆ At age 60 with at least 15 years of creditable service
- ◆ At age 55 if age and creditable service total at least 85 (This is referred to as the "Rule of 85")

### Early Retirement Eligibility

Early retirement is available at age 50 with 15 or more years of creditable service. However, in this case, the retirement benefit will be reduced because payments begin at an earlier point in a member's life and will need to cover a longer period. For more detailed information on early retirement benefit calculations, please consult either the "Calculator for Retirement Benefits" or the "Retiring Member's Guidebook," both of which are available on our Internet Home Page.

## Access to Fund Files and Records

### Member Access to Files

While Fund records are confidential, with the exception of name and years of service of Fund members, a member may have full access to any information in his/her own file with the Fund. Generally, a member's individual record may only be released to the member, personal representative of the member's estate, attorney-in-fact, or by court order.

To access this information, a member may call, write, or appear at Fund offices during regular office hours. Fund members will need to identify themselves by their Fund account number and

other identification, and request the information needed. Please note that the Fund will not mail or FAX such information to an address other than the member's official address of record without a written request from the member.

NOTE: For security purposes, the Fund will not provide sensitive account information, such as the balance of the Annuity Savings Account or Fund Account number, over the telephone. A member requesting this information will receive the results in writing.

#### Public Access to Fund Records

Fund records of individual members and membership information are confidential.

### Marriage Dissolution by Fund Members

#### Qualified Domestic Relations Orders (QDROs)

The Fund is a governmental plan as defined by 29 U.S.C.A. § 1002(32) and is exempt from the provisions of the Employee Retirement Income Security Act (ERISA) pursuant to 29 U.S.C.A. § 1003(b)(1). As such, the Fund does not recognize QDROs. Under Indiana law, the benefits payable from the Fund are protected under Indiana Code, section 21-6.1-5-17. This provision states that the benefits due a member from the Fund are exempt from seizure, levy, attachment, and other processes. Therefore, the Fund cannot make a portion of a member's benefits payable to anyone other than the member. The only exception to this rule would be the Internal Revenue Service (IRS).

#### Requests for Information

Members will often contact the Fund to determine the balance of their Annuity Savings Account at various points in their careers. The Fund will provide this figure to the best of our ability, but the reporting schedule between employers and TRF has changed over time. To obtain this information, the member may call or write the Fund. However, these figures will be provided in writing to the requesting party only and, for security purposes, will not be communicated over the telephone.

The Fund receives frequent requests from members to project retirement benefits from a past date forward. The Fund cannot comply with this request because of the large number of subjective variables that must be supplied by the member. However, the Fund will send the requesting member forms and information that will allow the member to project retirement benefits from a past date.

#### Procedures

At the request of an estranged spouse or his or her legal representative, the Fund can only release information with the written consent of the member, or in response to a subpoena or other court order.

#### Who is responsible for these cases?

Although the Fund will "flag" the file and make every effort to notify an ex-spouse when the member receives a monetary distribution, the ultimate responsibility for complying with the terms

of a divorce decree and property settlement lies with the parties to the divorce. An ex-spouse should inquire periodically, in writing, to determine the status on the account. Further, when a distribution is made to a member, the ex-spouse and his or her legal representative are solely responsible for ensuring that settlements with respect to Fund benefits in a divorce dissolution are fulfilled by the member.

## Withdrawing From the Fund

### Who is Eligible to Withdraw

A member may withdraw from the Fund if:

- ◆ The member has terminated teaching service in the public schools of Indiana and is not on a leave of absence; and
- ◆ The member is not currently qualified both by service and age for retirement (including early retirement); and
- ◆ The member is not planning to return to teaching service in the Indiana public school system during the next academic school year; and
- ◆ The member is not currently employed in a position covered by PERF and is not service and age eligible for retirement considering combined PERF/TRF service.

### Suspension of Membership and Interest

The Fund's Board of Trustees may choose to suspend a member's membership in the Fund if:

- ◆ The member has not performed any service in a covered position during the past two years; and
- ◆ The member has not attained vested status in the Fund; and
- ◆ The value of the member's Annuity Savings Account is not more than two hundred dollars (\$200.00).

Suspension of membership occurs automatically five (5) years after termination of covered employment by members with less than ten (10) years of service.

Five years after suspension of membership, annual interest ceases to accrue on a member's Annuity Savings Account. The money reverts to the Fund unless and until claimed by the former member. In general, if the account is not claimed within three (3) years following a member's death, the money reverts to the Fund permanently. Interest will not stop if the member is vested with 10 or more years of service and remains a member of the Fund.

### Voluntary Suspension of Membership

A member who is eligible for benefits, considering age and service, who has not already retired and is not currently teaching in Indiana, can voluntarily suspend their TRF membership. As a result of the voluntary suspension, the member could withdraw their annuity savings account balance in order to purchase service in another governmental retirement plan. TRF must have an invoice from the governmental plan receiving the service detailing the amount of service being bought and the purchase price. Any withdrawal must be paid as a trustee-to-trustee transfer directly to the other government plan in the amount needed to purchase service in that plan. If the member's balance exceeds that needed to purchase the service, the excess must remain with TRF unless the member then applies for a voluntary withdrawal of the remaining balance. If the member were to rejoin TRF and apply for reinstatement of their service credit, the amount transferred to the other governmental plan would not be reinstated to their TRF account.

### Rejoining the Fund and Reinstatement of Service Credit

Members who withdraw from the Fund may not reclaim their prior service credit without first returning to regularly employed service in the public schools of Indiana for one (1) full year. A member in this situation should contact the Fund to make sure that any eligible service (meaning service that has not been taken to another retirement system and used to compute benefit) is replaced in the member's account. A member who has withdrawn the assets in the Annuity Savings Account may not repay the assets in order to establish eligibility for a benefit or for any other reason.

### Federal Withholding on Withdrawals

Taxable amounts withdrawn from the Fund are subject to mandatory twenty percent (20%) Federal withholding unless the member elects to rollover the taxable amount into an Individual Retirement Account (IRA) or other qualified plan.

The Internal Revenue Service may impose an additional ten percent (10%) tax penalty on the taxable amount of the withdrawal if the withdrawing member is under age 59½ unless the member elects to rollover the taxable amount into an IRA or other qualified plan.

### How Does a Member Withdraw?

Members may withdraw from the Fund by completing the "Voluntary Withdrawal Application," form. This form is available on our web site or by calling, e-mailing, or writing our Member Service Center.

Processing the withdrawal application may require six (6) to eight (8) weeks, so advanced planning is necessary to ensure timely payment. When the Fund receives a request for withdrawal that requests cash payment instead of a rollover, the Fund must withhold twenty percent (20%) of the taxable amount. If the member is under the age of 59½, the member may be responsible for an additional ten percent (10%) tax penalty. If the member wants to have Indiana taxes deducted, the appropriate section of the application should be completed.

## Disability

Members with five (5) or more years of service credit who become disabled while in Indiana teaching service may apply for a disability benefit. There are two types of disability benefit:

- ◆ Classroom Disability Benefit
- ◆ Disability Retirement Benefit

### Classroom Disability Benefit

Classroom disability requires approval by the Fund Physician; benefits are \$125.00 per month plus \$5.00 for each year of service over 5 years. Re-examination, as specified by the Fund Physician, is required until age 65. The member must be out of the classroom for a continuous period of six (6) months without pay before disability benefits will be paid. No teaching service may be rendered while receiving the benefit.

As long as the member receives the classroom disability benefit, their Annuity Savings Account will continue to be invested with the Fund under the same guidelines as an active teacher.



If a member qualifies and chooses to transfer from the classroom disability benefit to a retirement benefit, all contributions and interest in the account will be used to determine a monthly benefit amount or could be withdrawn at the time of transfer. If a member dies before transferring to the retirement benefit, the total disability payment made to the member would be deducted from any Annuity Savings Account distribution. If a member dies after classroom disability has been transferred to a retirement benefit, no disability payments will be deducted from any Annuity Savings Account distribution.

The Fund can send a member the following information on a Classroom Disability: (1) a rough estimate of retirement benefits that the member could receive were s/he to transfer to a disability or regular retirement as of a given date; and (2) an information sheet that explains the retirement benefits.

#### Disability Retirement

To be eligible for a Disability Retirement benefit, the member's disability must occur after June 30, 1984, and proof of the member's qualification for Social Security disability must be furnished to the Fund. The Disability Retirement benefit is computed the same way as a regular retirement benefit without reduction for early retirement options. The benefit may not be less than one hundred dollars (\$100.00) per month.

Any member applying for a Social Security disability benefit who also intends to apply for a Fund Disability Retirement benefit should immediately complete a Fund Disability Retirement application form and file this form with the Fund, even if the member has yet to receive an award letter from Social Security Administration. A copy of the member's application to Social Security for a disability benefit should be attached to the Fund's Disability Retirement application form.

The onset date of the Social Security disability must be effective back to the time the member left Indiana teaching in order to qualify for a disability retirement benefit from the fund.

#### Confirming Social Security Eligibility

The Fund is required to confirm, at least once each year, that a member continues to remain eligible for Fund Disability Retirement benefits due to the member's continuing qualification for Social Security disability benefits.

Accordingly, the member must sign a "Consent for Disclosure of Information" form authorizing the Social Security Administration to release information to the Fund verifying the member's eligibility to receive Social Security disability benefits.

The ability of the Fund to continue a member's benefits without interruption will depend on the prompt return of the properly completed and signed "Consent for Disclosure of Information" form. A member's signed "Consent for Disclosure of Information" form should be returned to the Fund within thirty (30) days of the date of the request letter from the Fund in order to prevent any interruption in Fund benefits.

A "Consent for Disclosure of Information" form is effective to authorize the Social Security Administration to confirm the member's disability to the Fund until revoked in writing by the

member. The member does not have to sign a new form each year. This method is a more certain way of protecting against any interruption in Fund benefits.

## Death Payments on Active Member Accounts

In the event that a member should pass away prior to retirement, they need to have planned by designating a beneficiary for their Annuity Savings Account. When the Fund is notified of the death of an active member, the Fund determines whether the member had designated beneficiaries to receive the member's Annuity Savings Account and any other benefits to which they may be entitled. Depending on the situation, the Fund sends various forms:

- ◆ Affidavit of Distributee for Death Benefit of Deceased Member (if no beneficiary is designated and no estate is opened)
- ◆ Application for Withdrawal from the Fund Due to the Death of Member (if beneficiary is spouse)
- ◆ Claim for Refund Due to Death (when beneficiary is other than spouse)
- ◆ Claim for Refund Due to Death (when estate will receive the money)
- ◆ Consent to Transfer (for the Department of Revenue, Inheritance Tax Division)

The Fund requires a copy of the Death Certificate.

When a teacher dies prior to retirement or withdrawal, the designated beneficiary or estate is entitled to a lump sum settlement of the member's Annuity Savings Account balance. However, if a person dies while on Classroom Disability, the Annuity Savings Account balance will be reduced by the amount of any Classroom Disability benefits paid to the member before death. It is the responsibility of the designated beneficiary(ies) or the estate to claim the account balance.

### Member's Surviving Spouse or Dependents May be Entitled to a Monthly Benefit

The member's surviving spouse or dependents, if any, may be entitled to a monthly benefit. Such benefits are available only if the member was a:

- ◆ Teacher-member with at least 15 years of creditable service at the time of death
- ◆ Teacher-member with at least 10 but less than 15 years of creditable service and was at least 65 years old at the time of death
- ◆ Legislator-member with at least 10 years of creditable service at the time of death

Moreover, if the survivor is a spouse, the marriage must have been at least 2 years in duration in order to meet benefit eligibility criteria. If there is no eligible surviving spouse, but there is a surviving dependent of the deceased member, then this dependent is eligible to receive a monthly benefit until the attainment of age 18 or death of the dependent, whichever is earlier. However, if a dependent is permanently and totally disabled at the date of attaining age 18, the monthly benefit is payable until the date the dependent is no longer disabled or dies, whichever is earlier. Disability is determined using guidelines established by the Social Security Administration. In the case of multiple surviving dependents, the benefit is computed on an actuarial basis for monthly benefits according to the age of the surviving dependents.

If the member is survived by one or more primary beneficiaries, all primary beneficiaries will share equally in the distribution of the Annuity Savings Account.

No payment will be made to an individual under age 18 until guardianship is established and approved by the courts.

#### Fund Payments to a Trust

The Fund can direct deposit payments to a revocable trust [IC 5-10.2-4-7(d)]. A member can designate a trust as their pension benefit direct deposit financial institution. The payee must be a revocable trust and the member must have the ability to access the funds at any time without condition. ISTRF will not direct deposit pension benefits into trusts that do meet these criteria.

In order to process the retirement application or direct deposit application, ISTRF will need a copy of the trust instrument to ensure compliance with Indiana law or a sworn affidavit identifying the trust and that it complies with the terms set forth in IC 5-10.2-4- 7(d).

If the terms or conditions or the designated trust payee instrument change, the member must immediately notify ISTRF and provide a copy of the new and amended trust instrument. These rules apply to ISTRF retirement benefits. Payments of ISTRF death benefits to a trust have different rules.

#### Trust as a Death Beneficiary

A member who intends for their death benefit to be paid to a trust must designate the trustee as the beneficiary using the "Request for Member Data Change" form. The designation must be in the following manner:

[Name of trustee, Trustee or then trustee of the name of member type of trust]

Example: John R. Doe, Trustee or then trustee of the Mary S. Smith Living Trust

Concepts to remember about Trusts:

- ◆ The member must notify ISTRF in writing of the mailing address of the trustee, co-trustee, or successor trustee
- ◆ It is the sole responsibility of the Fund member to notify ISTRF of any pertinent change involving their trust or trustee
- ◆ A copy of the trust instrument is NOT needed by ISTRF
- ◆ ISTRF's sole responsibility is to pay the death benefit to one trustee named in the Fund member's beneficiary designation. ISTRF will discharge this responsibility according to the information that has been provided to ISTRF by the Fund member. ISTRF is NOT responsible for any problem arising from a change involving a trust or a trustee if ISTRF has not been notified to the change.
- ◆ ISTRF is not responsible for ensuring the validity of the trust or for carrying out the terms of the trust in any way
- ◆ ISTRF is not responsible in any way for a trustee's unauthorized exercise of ownership or control over the funds. It is the sole responsibility of the trustee to administer the funds in a manner consistent with the trustee's powers, duties, and fiduciary responsibilities

- ◆ Should a named trustee pre-decease the member or withdraw as trustee, a Successor Trustee's Certification must be received by ISTRF before any distribution will be made
- ◆ If, upon the death of a member, the named trustee cannot be located, is incapacitated, deceased, or refuses to receive the death benefit as trustee of the trust, ISTRF will treat the matter as though the Fund member had designated a non-trustee as the beneficiary and the designated beneficiary has pre-deceased the Fund member. The death benefit will be paid to a secondary beneficiary or to the member's estate.
- ◆ The Internal Revenue Service assigned EIN Number of the trust should be included for processing. ISTRF cannot make a distribution to a trust without a proper EIN identifying the payee trust.

#### Detailed Tax and Financial Advice

If a member needs detailed advice about pre-retirement tax planning or detailed investment advice, the member would be well served to seek out the advice of a tax-expert and/or an expert investment advisor. ISTRF does not provide these services.

### Death Payments on Inactive Member Accounts

If an inactive member dies while eligible to receive retirement or disability benefits, but before applying for those benefits, then the member's surviving spouse or surviving dependent(s) are entitled to survivor benefits in the same amount and under the same conditions as apply to deaths of active members.

If the inactive member dies while not eligible for retirement, then the sum payable to the member upon suspension of membership (Annuity Savings Account balance) shall be paid to the member's surviving designated beneficiary or to the member's estate if no beneficiary is designated.

All sums in the account of a deceased inactive member shall be forfeited if no beneficiary or other person entitled to the money claims it within three years after the member's death. However, if the three-year statute-of-limitations has expired, the beneficiary may petition the Board of Trustees requesting a waiver of the statute-of-limitations. Waivers may be granted under certain circumstances for members who die after August 31, 1992. For more information concerning these circumstances, please contact the Fund's Legal Department.

### Who May Act for the Member

#### Power of Attorney

The Fund will honor requests and directions from a lawful holder of a Power of Attorney document for a member. This individual is known as the attorney-in-fact. The Power of Attorney must grant the attorney-in-fact the authority to transact business of the type requested. For instance, if the Power of Attorney document grants the attorney-in-fact broad discretion to handle all banking and financial transactions, the Fund will accept directions regarding benefit check delivery. If, on the other hand, a member grants what is known as a Health Care Power of Attorney, the attorney-in-fact does not have the authority to direct the Fund on any matter, even something as simple as an address change.

If a member wishes to name a Power of Attorney for Fund business only, without incurring the expense of legal counsel, the Fund provides a Power of Attorney form. However, please note that this Power of Attorney will apply only to Fund business and is not valid for general public use.

If an attorney-in-fact attempts to act on behalf of a member, the Fund will require a copy of the Power of Attorney. If a copy of the Power of Attorney is not in the member's file, the requested transaction will be denied. The denial will then be returned to the attorney-in-fact, requesting proof of legal authority to act on behalf of the member.

Please note that Indiana law has very specific requirements for a Power of Attorney to be valid. The member's signature must be witnessed and attested to by a Notary Public. Further, the Notary Public must sign the document along with his or her printed name and notarial seal.

A member retains the right to act on their own behalf even if powers are also granted to an attorney-in-fact.

### Guardians

The Fund will honor requests and directions from a legally appointed guardian of the estate of a member.

Before the Fund can recognize acts of a guardian, the Fund must receive copies of the Letters of Guardianship and/or other official court documents appointing the guardian. Only the guardian of the "estate" of the member, the person with the power to handle financial matters (as opposed to the guardian of the "person," who is responsible for the physical well being of a member), may direct the Fund.

Guardians are appointed only when a member is declared incompetent by a court of law. Thus, the member, while under an active guardianship, is unable to act on their own behalf. The Fund will not recognize acts of these members until provided proof that the member's right to act on his or her own behalf has been restored.

### Settling Disputes

Most disputes are settled by communication between the parties involved. In the case where no agreement is reached, there is an appeal procedure available. Members who believe that they have been aggrieved by an action of the Fund may contact the Fund's Legal Department for information on the appeals process.

### Health Insurance

Medicare supplement group health insurance is available to the Fund's retirees and spouses age 65 and over. A member will receive information on the available plan, options, and costs at the time of retirement.

## Other Fund Services

ISTRF's mission is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to our members, while demonstrating responsibility to the citizens of the State. To promote this mission, the Fund retains the services of pension administrators, accountants, investment advisors, attorneys, and administrative personnel who are ready to aid members and the public at all times.

The Fund's staff can help with:

- ◆ Status of member accounts
- ◆ Direct electronic deposits
- ◆ Tax withholding policies
- ◆ Taxable and non-taxable portions of benefits
- ◆ Service credit analysis
- ◆ Interpretation of Indiana law as it applies to the Fund

If a member needs help with any of these topics, the member may:

- ◆ Call (317) 232-3860 or toll-free at (888) 286-3544 to contact the Member Service Center
- ◆ Visit the Fund in person by making an appointment. The Fund's offices are located on the third floor of the ISTA Building in Indianapolis. The street address is 150 West Market Street (corner of Market Street and Capitol Avenue), east of the State House. The Fund's office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday (except for holidays). Appointments are strongly encouraged to maximize the efficiency of our assistance.
- ◆ Access the Fund's Internet Home Page at: <http://www.in.gov/trf>. Further, the Fund can receive electronic mail at: [trf@trf.IN.gov](mailto:trf@trf.IN.gov).

The following information is available on the Fund's Internet Home Page:

- ◆ Calculator for Retirement Benefits
- ◆ Calculate Your Retirement Benefits - Interactive Web Page
- ◆ Investing Your Annuity Savings Account - booklet
- ◆ Map and interactive directions to the Fund's Office
- ◆ Active Member's Handbook
- ◆ Lost Members List
- ◆ Inactive Members List
- ◆ Past Editions of the *Primer* - the Fund Newsletter